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UNCLAS ALMATY 000004

SIPDIS

DEPT PASS TO EUR/CACEN MUDGE
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KZ](#) [ECONOMIC](#)

SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE

December 11 - December 24, 2005

[1](#)1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

- Parliament Approves Amendments to Comply with WTO Rules
- Foreign Banks Welcome in Kazakhstan after WTO Accession
- Almaty Hotel Sold by KazTransGaz
- Kazakhstan to Produce 63 Million Tons of Oil in 2006
- Kazakhstan Commissions Atasu-Alashankou Pipeline
- KMG, Shell & Oman Pearls Sign PSA
- Ex Vice-President of KMG to Head KazEnergy Association
- PetroKazakhstan Wins One Case; Another Advances

Parliament Approves Amendments to Comply with WTO Rules

[1](#)2. Parliament passed a series of amendments to legislation on subsidies, compensation, and anti-dumping measures. The amendments are intended to bring the law on subsidies and compensatory measures into compliance with the World Trade Organization (WTO) agreement on subsidies and compensatory measures, and to match the law on anti-dumping measures with the WTO Agreement on Implementation of Article 6 of the General Agreement on Tariffs and Trade 1994. The bill will now be forwarded to the President for endorsement. (Interfax - Kazakhstan, December 21)

Foreign Banks Welcome in Kazakhstan after WTO Accession

[1](#)3. After Kazakhstan joins the WTO, the Financial Supervision Agency (FSA) will not object to granting foreign banks the right to open branches in Kazakhstan. However, according to FSA Chair Zhamishev, the FSA plans to establish asset limitations in order to ensure equal competition in the banking market. The FSA will also require branches of foreign banks to maintain reserve deposits with the National Bank of Kazakhstan in proportion to their assets. (Interfax - Kazakhstan, December 21)

Almaty Hotel Sold by KazTransGaz

[1](#)4. On December 22 Kazakhstani company BNA Development won the auction held by KazTransGaz (KTG), KazMunayGaz's subsidiary, to acquire the "Almaty" hotel and property for \$17.2 million. The auction for the "Kazakhstan" hotel failed. The two hotels were transferred to KTG for public sale as part of KTG's Summer 2005 acquisition, at the government's initiative, of the Almaty Power Consolidated (APC) company. (Interfax - Kazakhstan, December 22)

Kazakhstan to Produce 63 Million Tons of Oil in 2006

[1](#)5. Kazakhstan plans to produce 63 million tons of oil in 2006, Energy Minister Shkolnik reported. According to the National Statistics Agency, Kazakhstan produced 50.6 million tons of oil in 2004. (Interfax - Kazakhstan, December 19)

Kazakhstan Commissions Atasu-Alashankou Pipeline

[1](#)6. On December 15 President Nazarbayev formally opened a 900-kilometer oil pipeline linking Atasu in central Kazakhstan with Alashankou in the north-western Chinese province of Xinjiang. Its initial capacity is around 210,000 bpd. The \$800-million line was paid for by KazMunayGaz, Kazakhstan's state oil company, and the Chinese National Petroleum Corporation. The pipeline will initially be filled by crude delivered by rail from Aktobe and western Siberia. Within the next few years, a pipeline that links Atasu with the Kumkol field will be reversed to allow Kumkol's oil to be delivered to China. After 2010, a pipeline will be built between Kumkol and Kenkiyak to link

China to other Kazakhstani oil fields. At that time, the capacity of the line is to be doubled. The Kenkiyak-Atyrau pipeline was commissioned in 2003. (The Economist Intelligence Unit, December 19)
KMG, Shell & Oman Pearls Sign PSA

17. On December 14 KazMunayGaz (KMG), Shell, and Oman Pearls Company signed a Production Sharing Agreement (PSA) to develop the Zhemchuzhina field in the Kazakhstani sector of the Caspian Sea. The participants (KMG - 25%, Shell - 55%, Oman Pearls Company - 20%) intend to begin exploration in 2006. The project's recoverable hydrocarbon reserves are estimated at 750 million barrels. According to the PSA terms, the contractors pledge to carry out a \$30-million exploration program and employ Kazakhstani "local content". (Interfax - Kazakhstan, December 19)
Ex Vice-President of KMG Heads KazEnergy Association

18. The former first vice-president of KazMunayGaz (KMG), Timur Kulibaev, has been appointed CEO of "KazEnergy Association." According to the press source, the new association, recently established by KMG and its subsidiaries, was created to facilitate dialogue between energy companies and the authorities, and to participate in the drafting of laws related to the energy industry. (Interfax - Kazakhstan, December 19)

PetroKazakhstan Wins One Case; Another Advances

19. PetroKazakhstan, recently acquired by CNPC, won its appeal of a court decision that obliged the company to pay \$720 million for anti-monopoly violations associated with the Shymkent refinery.

110. The criminal investigation into activities of former PetroKazakhstan executives has been completed and the case submitted to the Procurator General's Office, the Deputy Chair of Kazakhstan's Financial Police Kenenbaev announced on December 23. As reported earlier, the Financial Police brought charges against three foreign citizens accused of antimonopoly law violation. (Interfax - Kazakhstan, December 23)

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